

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE NORTH DAKOTA ECONOMY

The importance of small business to the state of North Dakota is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, North Dakota had 18,667 businesses with employees; 97.2 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 24,000 self-employed persons in 1996, for an estimated total of 42,667 businesses.

Small Business Income - The income of sole proprietors and partners rose 8.6 percent to \$1.0 billion in 1996, while wage-and-salary income rose 6.2 percent. Total personal income rose 6.5 percent to \$8.0 billion. The state also exported \$576.2 million of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 19,000 women-owned businesses in North Dakota, including part-time firms, employing 35,700 people and generating \$3.7 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 37.8 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 105.3 percent from 1987 to 1992, totaling 117 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 31.8 percent during the same time period with 116 firms in 1992. There has also been an increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 329 in 1987, to 385 in 1992, representing a 17.0 percent increase.

Business Turnover - The number of new firms increased 2.3 percent, while new business incorporations decreased 9.4 percent in 1996. Financial difficulties leading to business bankruptcies increased by 28.8 percent and business failures decreased by 18.4 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in North Dakota decreased from 140 in 1994 to 127 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
NATIONAL BK OF HARVEY	Harvey
FARMERS & MERCHANTS BK OF VC	Valley City
KIRKWOOD B&TC	Bismarck
FIRST ST BK OF PARK RIVER	Park River
UNITED COMMUNITY BK	Burlington
FIRST INTERNATIONAL B&TC	Watford City
FIRST WESTERN B&TC	Minot
COMMUNITY FIRST NB	Dickinson
AMERICAN ST B&TC OF WILLISTO	Williston
STUTSMAN COUNTY ST BK	Jamestown
NORWEST BK ND NA	Fargo

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 60.0 percent of the small business growth. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	8,511	3,908	4,518	3,767	(12,021)	8,683
Manufacturing	389	904	2,461	638	633	5,026
Retail Trade	252	526	850	1,784	(1,434)	1,977
Services	4,524	2,340	(53)	2,270	(8,127)	954
Other	3,346	138	1,260	(925)	(3,094)	727

Industries - The composition of small business in North Dakota is very diverse. The Eating & Drinking Places industry is the largest small business employer in North Dakota, followed by Health Services. The fastest growing industry for small business is Industrial & Commercial Machinery & Computer Equipment (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in North Dakota by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	220,712	100.0	68.9
Health Services	8000	35,797	16.2	43.3
Eating & Drinking Places	5800	19,538	8.9	86.4
Wholesale Trade-Nondurable Goods	5100	10,980	5.0	71.6
Wholesale Trade - Durable Goods	5000	9,416	4.3	89.0
Social Services	8300	8,035	3.6	89.8

Table 2, Top Five Small Business Industries in North Dakota by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	151,964	100.0	68.9
Eating & Drinking Places	5800	16,877	8.9	86.4
Health Services	8000	15,488	16.2	43.3
Wholesale Trade - Durable Goods	5000	8,377	4.3	89.0
Wholesale Trade-Nondurable Goods	5100	7,858	5.0	71.6
Social Services	8300	7,213	3.6	89.8

Table 3, Fastest Growing Industries for Small Business in North Dakota, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	148,627	151,964	3,337	2.2
Industrial & Commercial Machinery & Computer Equipment	1,557	1,898	341	21.9
Communications	2,028	2,368	340	16.8
Business Services	3,991	4,616	625	15.7
Fabricated Metal Products Except Machinery	911	1,043	132	14.5
Hotels, Rooming Houses, Camps, & Other Lodging Places	4,008	4,497	489	12.2

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.